

Senate Appropriations Committee
Request for \$45.8 million for long term care facilities
October 12, 2021

Good afternoon members of Senate Appropriations Committee. My name is Shelly Peterson, President of the North Dakota Long Term Care Association. I am here today to ask you for your support of \$45.8 million to help nursing facilities, basic care, and assisted living recover from the devastating impact from COVID-19.

This proposal meets the guidelines you have established.

- It is one-time funding for a one-time purpose, a cash infusion to assure those long term care facilities most negatively impacted can continue to operate.
- This funding is needed now. One nursing facilities has already closed and 57.6% of all long term care facilities continue to operate in the red. Cash reserves are depleted, lines of credit are running low with recovery of occupancy very slow and non-existent for some.
- This request is for the American Rescue Plan Act, not the General Fund or Strategic Investment and Improvement Fund.

The American Rescue Plan Act provides eligibility to nursing facilities and other congregate care settings, (i.e. basic care and assisted living), for funding. Our request is for \$45.8 million, less than one-half of one percent of the money North Dakota has received. COVID-19 has devastated the long term care community, with 57% continuing to operate at a loss today. Revenue losses have been tremendous. Occupancy has still not recovered, and we don't have sufficient staff to

care for residents if they start coming through the doors. In the most recent 30 days, over half of nursing homes have stopped admissions. Why would we do that when we desperately need admissions and revenue? Because it is the right thing to do when you don't have staff to care for them.

You might expect when occupancy is down, that expenditures are also down. However, just the opposite has occurred. Facilities are spending more. The top expenditure is additional pay for staffing, hero pay, pay for working in COVID units, hiring contract staff at exorbitant prices and paying for personal protective equipment. Staff are still masking 24/7, just like we did in the beginning days of the pandemic.

Everyone was told to set up COVID units so we could isolate those with COVID-19 during infectious periods. Ideally you have dedicated staff on these units, to lessen the risk of cross contamination. We still screen everyone coming into facilities and we urge visitors to mask. We continue to watch for symptoms among residents. All of our measures to protect residents and staff have cost millions of dollars beyond our rate structure. We are not asking for money to increase wages, we have already done that, it was our only option. We continue to spend a lot of money on PPE.

Federal support and funding to basic care and assisted living has been little to non-existent. Nursing facilities have received some provider relief funds, at the most covering about 3-5% of our revenue losses.

North Dakota did provide some assistance to nursing facilities, basic care, and assisted living in November 2020 when other entities were unable to spend their Cares Act Dollars. Approximately \$3 million was re-allocated

to facilities to improve their air ventilation systems and each received one portable unit to help sanitize the air in their facilities visitation room.

How did we arrive at \$45.8 million:

Nursing Facilities:

During the period of July 1, 2020 to June 30, 2021 (current year cost report period) in comparison to the period of July 1, 2019 to June 30, 2020 (prior year cost report period) nursing facilities have experienced severe impacts to cash flows due to the significant decline in occupancy based on the 2021 and 2020 North Dakota Department of Human Services Nursing (NDDHS) Facility Cost Report (Cost Reports) data. The Cost Reports show that 73 of 76 facilities saw occupancy declines, 56 of those had declines of over 5%, and 34 of those had declines over 10%. Using the occupancy data from the Cost Reports and the rates as set by the NDDHS for rate years 2020 and 2021, the decline in days multiplied by the applicable case mix adjusted average rate for each facility shows that resident related revenues and resulting cash flows have declined by an estimated \$62.2 million in the current year cost report period in comparison to the prior year cost report period. During this time, facilities have noted that expenditures did not decline as they were required to maintain staffing levels to deal with significant sick leave and quarantine days, incur significant contracted nursing costs due to staffing shortages, and the increased infection control costs. Facilities also have fixed expense costs in operating the facility that can never be reduced due to changes in occupancy. Provider Relief Funds received have helped facilities deal with a portion of the loss, but these funds for most only covers 3-5% of the impact, facilities with over 5% declines are losing financial stability as operating cash funds are depleted. Cash flow losses will continue through December 31, 2021 for facilities that continue to

have reduced occupancy and continue to face severe staffing shortages. These reductions in cash flow are leading to issues at facilities which are leading to decisions to close, severely decreasing capacity for others, and financing operations using lines of credit.

Basic Care:

Basic Care Facilities have seen occupancy declines when comparing the current year period of July 1, 2020 to June 30, 2021 with the prior year period of July 1, 2019 to June 30, 2020. Of the 39 facilities that provided occupancy data, 27 of them saw declines in occupancy, 17 had declines over 5%, and 16 had declines over 10%. These declines in occupancy lead directly to reductions in revenues and cash flows as facilities are not able to adjust rates for Medicaid residents during any rate year. By multiplying the facilities decline in days by the established rate for July 1, 2020 to June 30, 2021, facilities lost an estimated revenue and cash flow of \$4.1 million, those with occupancy declines over 5% lost an estimated \$2.6 million, and those with occupancy declines over 10% lost an estimated \$1.6 million. The impact to all 61 basic care facilities is estimated to be \$5.4 million. During this time, facilities are seeing expenditures remain consistent with prior years as they deal with limited available staff, quarantine leaves, and increased infection control expenditures. The lost revenues and decreased cash flow have resulted in facilities depleting operating cash to levels that are unsustainable and requiring the facilities to obtain lines of credit, consider closing, and delaying payments for services.

Basic Care rates will not reset until July 1, 2022 which will lead to ongoing losses.

Assisted Living:

We surveyed assisted living facilities to estimate the impact to their business. Average unrecovered costs for the sample were \$31,200 per facility. Using this as a baseline, the total estimated impact for the 74 assisted living facilities in 2020 is \$2.3 million dollars.

Summary: Provide \$45.8 million of one-time funding to basic care, assisted living, and nursing facilities to help in the recovery of their care and service to frail North Dakotans. This funding will not impact future costs reports and is a one-time infusion of funds. Only those with net losses and greatest need will receive relief. Those without impact will not be eligible. Distribution would be through the Department of Human Services.

The requested funding is designated to help facilities that have experienced significant cash flow impacts and provide them with an opportunity to recover. This provides them the ability to cover the costs of operation that are already occurring and deal with reduced cash flows through December 31, 2021. The funding request will provide for lost cash or to cover cash expenditures already incurred so it will not lead to additional expenditures for future cost reports.

Nursing facilities in the State have no ability to adjust their rates due to State regulations. Starting on January 1, 2022, the nursing facilities will receive rate adjustments that will help alleviate this situation for the future upon the rates being reset, but this reset will only cover the costs of the facility going forward and does not provide them with the recovery of cash flows that were lost during the period covered in our request.

This concludes my testimony, and I would be happy to answer any questions you may have.

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